

Food Spending Moderates in a Growing Economy

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In 1995, Americans spent about \$1,647 per person on food, up a modest 7 percent over 1990. Some groups varied substantially from the national trend. For example, blacks increased their food spending by 19 percent, and spending by single mothers rose by 17 percent.

Income and household size are the most important determinants of food expenditures. For example, households in the poorest 20 percent of the Nation's income distribution decreased their total food spending by 3 percent during 1993-95, while spending by middle-income and wealthy households increased by nearly 3 percent.

Most of the growth in food spending from 1990 to 1995 occurred in the retail food sector (food at home). Expenditures for food at home increased 15 percent from 1990 to 1995 (table 1). In the foodservice sector (food away from home) on the other hand, per person annual expenditures decreased 5 percent during this time span (fig. 1). While food spending generally continues to grow modestly, fluctuations can occur from year to year. For example, food spending fell 4 percent in

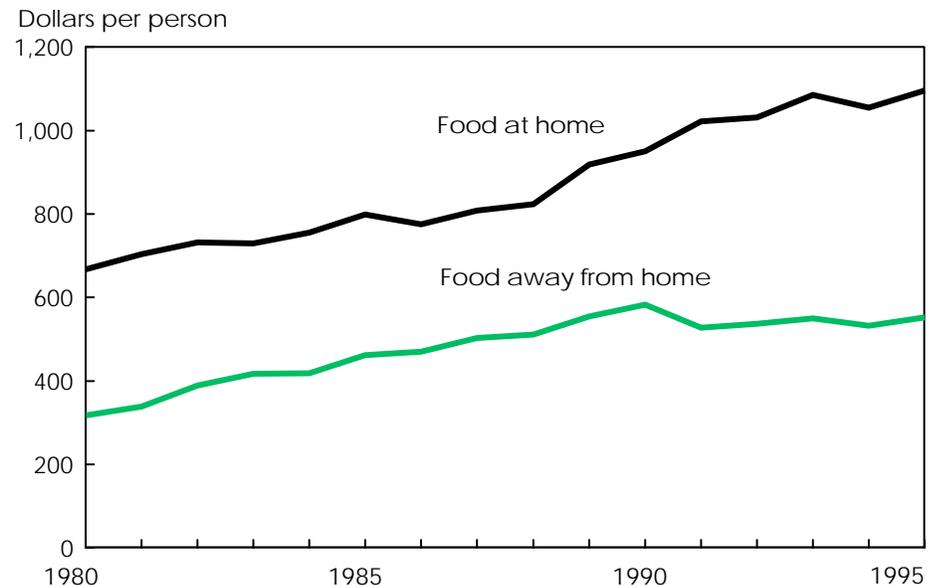
1994 even as other sectors of the economy thrived.

Food spending tends to more closely follow consumer income than the direction of the general economy (fig. 2). This occurs because growth in the general economy, as measured by the gross domestic product (GDP), is comprised not only of consumer expenditures but also private investment, imports and exports, and Government spending. However, sustained economic growth usually has posi-

tive impacts on employment rates and income levels, which eventually affect food spending levels.

Total consumer expenditures (including nonfood purchases) grew twice as fast (14 percent) as did food expenditures from 1990 through 1995. Meanwhile, income per person grew 11 percent (from \$13,052 to \$14,725) and GDP grew 21 percent (three times the rate of growth in food expenditures). Taken together, these figures suggest that growth in consumer income and the general

Figure 1
Food Spending Away From Home Levels Off in the Early 1990's



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Table 1
Households Moderate Food Spending Despite Gains in Income

Item	1980	1985	1990	1995
	<i>Dollars</i>			
Annual household income before taxes	17,843	25,103	33,152	37,255
Food spending per person	985	1,260	1,533	1,647
Food at home	667	798	950	1,095
Cereal and bakery products	84	113	143	175
Meats, poultry, fish, and eggs	231	231	257	300
Dairy	84	101	110	113
Fruits and vegetables	101	130	162	183
Sugars and sweets	25	30	36	44
Fats and oils	22	27	30	37
Beverages	61	73	82	95
Miscellaneous foods	58	93	130	149
Food away from home	318	462	582	552
Breakfast and brunch ¹				41
Lunch	112	171	204	190
Dinner	133	215	274	269
Other meals and snacks ¹	72	77	104	51

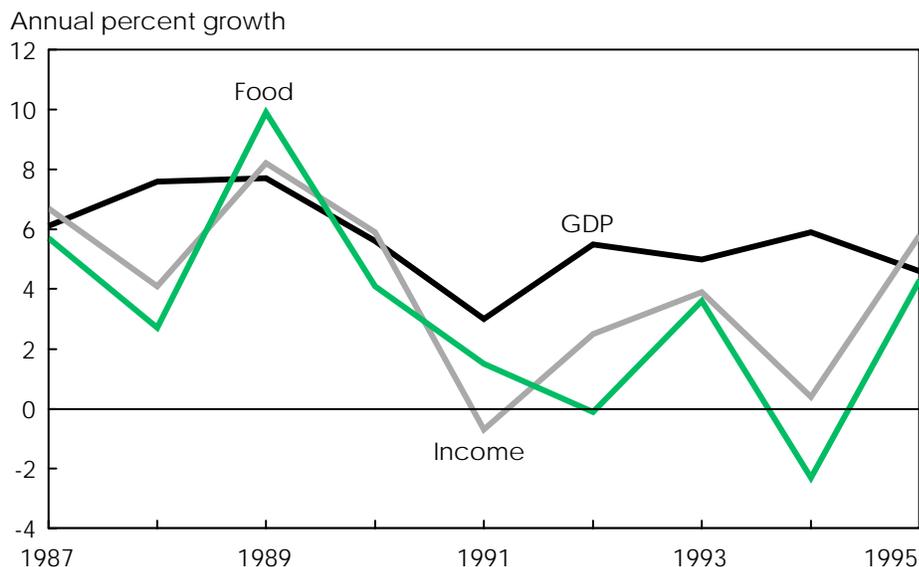
Note: ¹Breakfast and brunch included in other meals and snacks prior to 1993.

economy has outpaced consumer spending in the food sector. This is not unusual and confirms a fundamental principle of economics—the share of income spent on necessities falls as income rises.

Food expenditures have not kept up with inflation over the past 6 years, indicating that Americans have changed their eating habits in a way that costs them less money. Inflation has been low, at about 2.8 percent per year from 1990 to 1995. In comparison, food prices rose an average of 2.1 percent per year. Food expenditures rose an average of 1.1 percent per year.

Most of these findings are compiled from information contained in the Consumer Expenditure Survey (CES) released by the Bureau of Labor Statistics from 1980 through 1995. The CES data allow us to link consumer expenditures with demographic characteristics. The statistics

Figure 2
Food Spending More Closely Follows Income Growth Than Economic Conditions



and analysis presented in this article are based on the urban portion of the sample (representing about 87 percent of the noninstitutionalized population), since this group has been surveyed continuously since 1980.

Low-Income Households Continue To Spend Less Per Person

Income and household size continued to be the most influential factors affecting where and how Americans spend their food dollar (table 2). Households tend to spend more money on food as their

incomes rise because they buy higher quality food items, more convenience foods, and spend more in restaurants. In 1995, low-income households (whose before-tax incomes averaged \$6,826) spent about \$1,310 per person, about 40 percent less than what the wealthiest households (incomes averaging \$86,098) spent (\$2,183 per person). Middle-income households (incomes averaging \$29,315) spent about \$1,590 per person—about 27 percent less than the wealthiest households and 21 percent more than low-income households.

These gaps have widened since 1992, when low-income households

spent about 37 percent less than the wealthiest households. In 1992, middle-income households spent about 24 percent less for food than did the wealthiest households and about 18 percent more than did low-income households.

While the amount spent on food increases with household income, the proportion of income spent on food decreases as income rises. In 1995, low-income households spent about 35 percent of their income on food, while middle-income households spent about 14 percent, and the wealthiest households spent less than 8 percent. These figures have remained about the same since 1992.

Table 2
Food Spending Varies Substantially With Demographic Profile

Demographic category	Food spending per person				Change		
	1980	1985	1990	1995	1980-85	1985-90	1990-95
	Dollars				Percent		
All urban households	985	1,260	1,533	1,647	28	22	7
Household size:							
One person	1,268	1,713	2,107	2,330	35	23	11
Two person	1,195	1,561	1,939	2,039	31	24	5
Three members	952	1,228	1,545	1,618	29	26	5
Four members	891	1,107	1,350	1,435	24	22	6
Five members	828	975	1,107	1,282	18	14	16
Six or more members	726	811	877	964	12	8	10
Single female parent with children	647	857	1,011	1,187	32	18	17
Income category:							
Lowest	857	987	1,279	1,310	15	30	2
Middle	943	1,200	1,416	1,590	27	18	12
Highest	1,171	1,647	2,041	2,183	41	24	7
Race:							
White	1,031	1,322	1,598	1,711	28	21	7
Black	691	869	1,076	1,282	26	24	19
Other	919	1,207	1,607	1,563	31	33	-3
Age of householder:							
Under 25 (nonstudent)	902	1,084	1,407	1,330	20	30	-5
25-34 years	963	1,109	1,370	1,468	15	24	7
35-44 years	920	1,212	1,497	1,557	32	24	4
45-54 years	1,016	1,401	1,690	1,805	38	21	7
55-64 years	1,119	1,477	1,688	1,901	32	14	13
Over 64 years	1,045	1,367	1,624	1,861	31	19	15

As expected, wealthier households spent more money and a larger share of their food budget on food away from home. The wealthiest households spent 47 percent (\$915) of their food budget on food away from home in 1995, while the poorest group spent 27 percent (\$304) and middle-income households spent 37 percent (\$535).

Expenditures on food at home increased about 6 percent across all income groups between 1992 and 1995, but spending on major food groups varied by income level.

For example, while middle-income and higher income households increased their dairy product expenditures by 2 and 3 percent, respectively, low-income households decreased their expenditures by 11 percent. This increased the gap in expenditures between the lowest and highest income households for dairy products to about \$34 per person annually.

On the other hand, households with the lowest income increased their expenditures on meats, poultry, fish and seafood, and eggs by 8 percent, while those in the highest income group increased their expenditures by 4 percent, and those in the middle-income bracket increased by only 2 percent. Within this group of foods, low-income households made their largest increase in expenditures in fish and seafood—unlike households with higher income levels whose greatest increases came in poultry purchases (whereas low-income households decreased their expenditures on poultry).

Households of all income levels increased their expenditures on fresh and processed fruits and vegetables by about 4 percent. However, low-income households decreased their spending on fresh vegetables, while households of other income levels increased their expenditures. Fresh fruit expendi-

tures increased by 18 percent in low-income households, compared with 10 percent for middle-income households and 11 percent for the wealthiest households. Spending on processed fruits, particularly orange juice, fell for all income levels.

Expenditures on cereal and bakery products also increased faster for low-income households than for higher income households between 1992 and 1995. Low-income households increased their expenditures by 11 percent, from \$146 per person in 1992 to \$162 in 1994, while the wealthiest households increased their spending by 6 percent. Since bread and cereals are an important part of USDA's Food Guide Pyramid, this increase is an encouraging sign for the healthfulness of low-income household food choices.

Household Size Plays Major Role in Spending

The amount a household spends on food of course increases as the size of a household increases, but it increases at a slower rate. That is, if the size of the household doubles, food spending does not typically double. Larger households tend to spend less per person, because they purchase more economical packages of food and have more home-cooked meals (as opposed to meals eaten at restaurants) than do smaller households. Also, many multiperson households contain children, who do not eat as much food as adults do. In 1995, single-person households paid \$2,330 for food, while households with six or more members paid \$964 per person (the average household size was 2.53 persons). Three-person households spent \$1,618 per person for food.

Single-person households spent about 40 percent of their food budget eating out in 1995, while three-person households spent 32 percent. Households with six or more mem-

bers spent only 22 percent their food budget at eating places. This mix of budget allocations makes sense from a practical standpoint, because some foods are available only in standard sizes, such as a loaf of bread, that may largely go wasted by a single-person household but is easily consumed by a larger household. Single-person households may eat out more often to avoid waste and to socialize, while larger households probably eat at less expensive restaurants to lessen the total bill or eat out only as a treat or on special occasions.

Household size also affects the mix of food spending within the household. For example, larger households tend to spend a larger share of their at-home food dollar on basic ingredients for recipes and on lower priced items, such as grain products, milk, and ground meat. Smaller households spend a larger share of their home food budget on other foods, such as fresh fruits and vegetables, steak, and frozen dinners.

Food Spending Varies With Household Composition

The composition of households is also an important factor in food spending patterns. In 1995, 43 percent of married couples with no children at home spent more per person on food than did other types of households, including single-person households. For example, married couples without children in the household outspent most other types of households by about a third on beef—mainly steaks. Married couples with children living at home spent more per person as their children got older, but their per person expenditures were still lower than

those of single-person households and married couples without children living at home.

Single mothers spent less per person than did most other types of households in 1995. They also had lower before-tax incomes than did other types of households. The mothers averaged about 35 years of age and typically had about 2 children under 18 years living with them. Only about 22 percent of their food budget was spent on food away from home. The largest share of their at-home food budget (31 percent) went to meats, poultry, fish, and eggs, with beef leading the way. They also spent substantial shares on cereal and bakery products (16 percent), fruits and vegetables (15 percent), and dairy products (10 percent).

Blacks Had the Largest Increases in Food Spending

Black households spent about \$1,282 per person for food in 1995, an 11-percent increase over 1992 spending levels. Spending by white households and those of other races increased 5 percent and 2 percent, respectively, during that period. However, blacks still spend less on food per person than do other households due to their comparatively lower income.

In 1995, black households spent less for most broad categories of food, except meats, poultry, fish, and eggs. For example, they spent \$79 per person for pork, while whites spent \$59 per person. Black households spent about \$67 per person annually on poultry, compared with \$54 spent by whites.

Food Expenditure Levels Follow Income Trends

Since food is more of a necessity than many other goods and services, expenditures on food during economic growth periods is generally more lackluster than the overall economy. While steady growth in the economy, particularly when it is transferred to income growth, can increase food expenditures, it is not likely to increase those expenditures as much as other sectors in the economy might experience.

Nonetheless, as long as the general economic conditions are favorable, there should be a continued and steady growth in food expenditures. And, as the demographic profile of America changes, the types of foods purchased by its population will likely change. ■

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